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CONSUMER CONFIDENCE EDGES UP SLIGHTLY

Local consumer confidence, having fallen to an all-time low during Quarter 3 2011, improved slightly during the month of December but was still below its three year average, according to the latest report from the Northern Bank published today.

Northern Bank's survey of Consumer Confidence in Northern Ireland, which looks at the financial position of local households and their expectations for the year ahead, shows that the overall confidence index rose in Quarter 4 to 98, from 94 in Quarter 3. The survey, which was carried out in early December, takes account of problems in the Eurozone but also captures a more upbeat mood in the run up to Christmas.

Commenting on the marginal improvement in the index, Northern Bank's Chief Economist Angela McGowan said: "Although overall confidence levels remain low, it is important to recognise and welcome any improvement in sentiment. Despite the heightened uncertainty in the Eurozone region, it is significant that local confidence levels did not plunge further. The small improvement in sentiment perhaps reflects a more upbeat attitude in the run up to Christmas and it may also suggest a degree of relief that Northern Ireland is not a member of the European Monetary Union at this difficult time."

Although overall confidence levels remain subdued, the latest data shows a small improvement in all aspects of the index with 'expectations for finances in the year ahead' and 'spending expectations' showing the greatest improvements.

Of the 1,000 people surveyed, only 9 per cent believed that their household finances had improved over the last twelve months, with the rest of the respondents split equally between those who believed that their household finances had either stayed the same (45 per cent) or deteriorated (46 per cent).

In terms of their outlook for household finances in 2012, the survey found that only 10 per cent of respondents believed that their finances would improve while 45 per cent believed they

would stay the same. A hefty 40 per cent of respondents anticipate household finances deteriorating in the year ahead.

Ms. McGowan noted: "Although there has been a minor improvement, consumers still remain broadly pessimistic about their household finances for the year ahead and are probably basing their expectations on their recent history of rising prices, static wages and increased taxes. However, it should be noted that most of the austerity tax rises have already been implemented in terms of VAT and income tax. In 2012 we will actually see the personal income tax allowance - on which no tax is paid - expand by £630 for basic rate tax payers. The overall impact of austerity measures on median household income is estimated to be a contraction of 0.4 per cent in 2012, relative to the 3.1 per cent decline experienced in 2011. Although the economy will continue to struggle, inflationary pressures are set to ease in the year ahead, which will also work to take some pressure off disposable incomes."

In terms of expectations for spending, there was a marginal improvement which was mainly driven by a decline in the number of respondents who are planning to curb their spending. Last month, 43 per cent of those surveyed planned to curb their spending in the next twelve months (relative to 48 per cent in the previous survey). Only 10 per cent of those surveyed plan to spend more, with young people in particular (16-24 year olds) the most optimistic with regard to increasing expenditure. Sixteen per cent of young people anticipated spending more in the year ahead, while only 6 per cent of elderly people expect to spend more. The survey found that 44 per cent of all respondents plan to maintain their current spending levels in the year ahead.

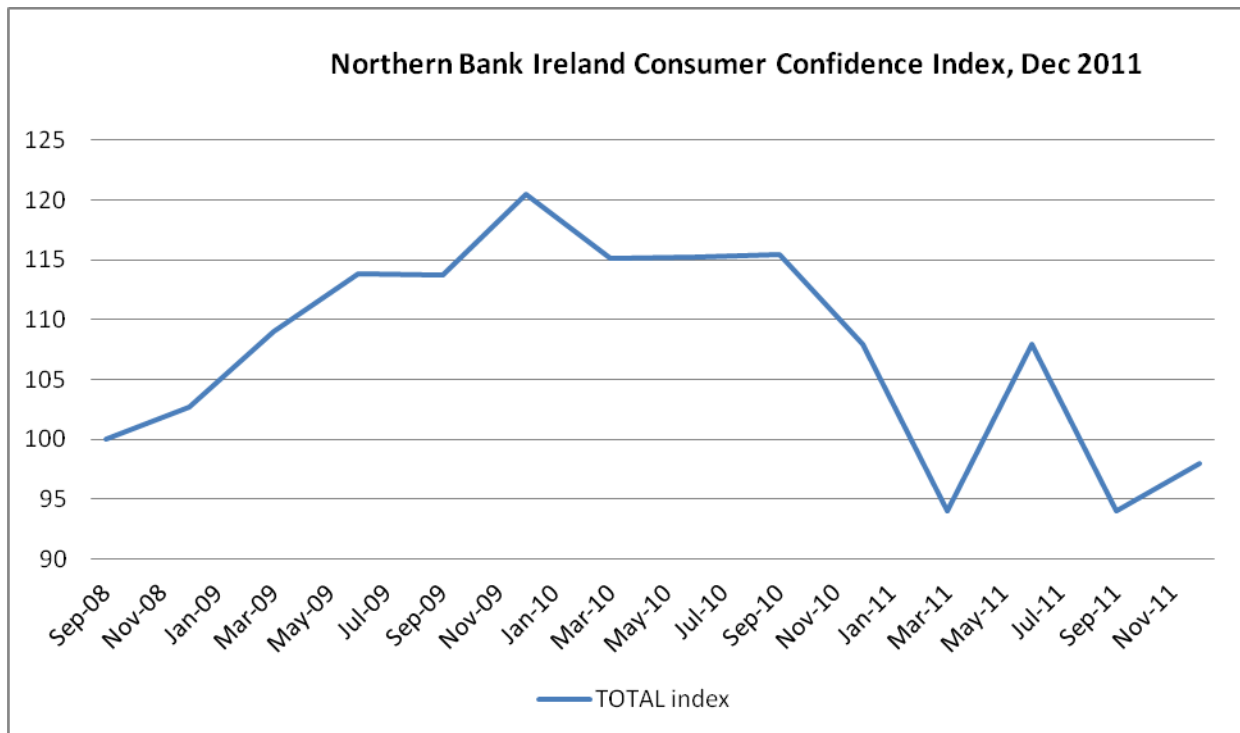
Ms. McGowan added: "Without doubt, confidence and spending levels have not rebounded sufficiently for retailers to be optimistic. But it is largely expected that having been through a very difficult 2011, it will take time for households to rebuild their confidence levels and move away from their very cautious spending patterns."

Ms. McGowan also noted: "It was surprising, but nonetheless good, that young people have the most optimistic outlook out of all age groups, given the current high levels of youth unemployment. This could perhaps be attributed to young people assessing the current

economic climate as temporary and not permanent. Younger people also tend to have fewer financial responsibilities in terms of mortgages and children to maintain, which could support the fact that they are less pessimistic in their outlook.”

The recent survey revealed that expectations for job security remained broadly similar to the previous survey, although the proportion of respondents expecting their job security to deteriorate fell from 14 per cent to 13 per cent. Interestingly, males were much more concerned about job security than females, with 16 per cent of males expecting their job security to deteriorate relative to 10 per cent of females.

ENDS



Picture caption: Angela McGowan, Northern Bank Chief Economist

For further information or to arrange an interview with Angela McGowan please contact:
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Notes to Editors:

- The 'Consumer Confidence Index for Northern Ireland' examines four key areas which include information on personal finances compared to 12 months ago, as well as consumers' expectations for spending, job security and their general financial position over the next 12 months. In addition, the survey gathers information on household savings.
- The Consumer Confidence Index for Northern Ireland published by Northern Bank is the first of its kind to be made available locally
- The study was carried out by Millward Brown in December 2011 with 1,000 people. It is statistically representative of the Northern Ireland population with a variance of +/- 3 per cent.